



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

**TO: Participating Schools and Lenders**

**FROM: Patricia W. Scott, Director**

**DATE: February 21, 2003**

**SUBJECT: Educational Loan Notes**

---

**IMPLEMENTATION OF THE PLUS MASTER PROMISSORY NOTE**

The Federal PLUS Loan Application and Master Promissory Note (PLUS MPN) in the Federal Family Education Loan Program (FFELP) is now available for the 2003-2004 academic year. After a one-year transition period, it will replace the current approved promissory note for Federal PLUS loans made under FFELP beginning with the 2004-2005 academic year.

The PLUS MPN is designed for a parent borrower to use as a multi-year note for one dependent student. Under the PLUS MPN process, a parent borrower will sign a PLUS MPN only once, at the time the parent first borrows for that dependent student. The parent may obtain additional loans for that same dependent student based on the originally signed PLUS MPN, during the same year or in subsequent years, for up to ten years after the date the parent first signed the PLUS MPN. Generally, as long as the parent borrower, the dependent student, and the lender do not change, a new PLUS MPN is not required. However, as with the Stafford loan MPN for student borrowers, the parent borrower, the school, or the lender may request that a new PLUS MPN be signed for each new loan period, even if doing so would not otherwise be required.

The use of the PLUS MPN as a multi-year note will be available to parent borrowers whose dependent students are attending any domestic school that participates in FFELP. A parent whose dependent student is attending a foreign school will be able to use the multi-year feature of the PLUS MPN only if the school has been expressly approved by the U.S. Secretary of Education (Secretary). A parent borrower whose dependent student is attending an eligible FFELP foreign school that is not approved to use the multi-year feature of the PLUS MPN will need to sign a new PLUS MPN for each new loan.

The PLUS MPN may first be used for Federal PLUS loans for loan periods beginning on or after July 1, 2003, and must be used for all Federal PLUS loans for loan periods beginning on or after July 1, 2004, or for any loan certified on or after July 1, 2004, regardless of the loan period. For more information, see [Dear Colleague Letter G-03-345](#), along with its attachments.

Attached to this issue of *Educational Loan Notes* is an updated Application Order Form. If you would like to order the new PLUS MPN, please complete the attached form and fax it to MGA at 517-241-3697. Preprinted PLUS MPNs will be available for distribution in April or May.

### METEOR

In the last issue of *Educational Loan Notes*, we introduced "Meteor." Meteor is a collaborative effort coordinated by the National Council of Higher Education Loan Programs (NCHELP) designed to gather financial aid information about a student from many different sources and consolidate the information for display to financial aid professionals in real-time. The objective of the Meteor Project has been to provide a convenient, open, non-proprietary method for financial aid professionals, students, and borrowers to access financial aid information wherever it is stored. MGA participates in Meteor as a Data Provider and as an Access Provider through NetWizard. (NetWizard users will see the Meteor option after logging in.) Schools not currently signed-up for NetWizard will need to sign-up to access Meteor. From the Sallie Mae Web site, [www.salliemae.com](http://www.salliemae.com), click on "Schools," then choose "Log in to NetWizard," and follow the instructions to sign-up online.

The Meteor concept is excellent and its potential exciting, however it is still in its growth stage of development. Currently, Meteor Data Providers account for 58.8 percent of the total FFELP volume, predominantly through guaranty agencies, although additional Data Providers are continuously joining. Sallie Mae is currently testing its loan servicing system and expects to go live this spring. When ultimately complete, Meteor expects to display information through the full spectrum of financial aid including scholarships and grants.

Until more Data Providers become available, particularly lenders and loan servicers, the data provided by Meteor is not complete for MGA loans. This is evident in the display of data concerning Consolidation loans. When Meteor retrieves data, the first three fields populated at the top of the screen are: "Total Guaranteed Amount," "Total Repaid Principle," and "Total Capitalized Interest." For a Consolidation loan, "Total Guaranteed Amount" includes the Consolidation loan amount combined with an aggregate amount of the individual loans consolidated. Although these loans are listed separately on the screen and coded paid-in-full

(PF), the aggregate amount of the individual loans is not populated in the "Total Repaid Principle" field. Without the data from the loan servicers, the "Total Repaid Principle" and "Total Capitalized Interest" fields are populated with a zero. Without this information, it appears the student's loans are double the actual amount.

MGA provides this information only as a disclaimer, not to discourage you from exploring the information available through Meteor. Questions or comments concerning Meteor should be directed to Nancy Vaughn at 1-800-642-5626, ext. 31871, or via e-mail at [vaughnn@michigan.gov](mailto:vaughnn@michigan.gov).



### ELECTRONIC COHORT DEFAULT RATE

According to the U.S. Department of Education (ED), on the morning of Tuesday, February 18, 2003, the Fiscal Year (FY) 2001 draft cohort default rate notification packages were made available at the Student Aid Internet Gateway (SAIG) destination point designated by domestic schools that enrolled in the Electronic Cohort Default Rate (eCDR) process. This electronic delivery process replaces the paper notification process for those schools that enrolled in the eCDR process. Each eCDR package contains:

- A cover letter (message class SHDRLROP)
- A reader-friendly loan record detail report (message class SHCDRROP)
- An extract-type loan record detail report (message class SHCDREOP)

Schools that had not enrolled in the eCDR process as of early January 2003 will receive a hard copy notification package that ED mailed on February 18, 2003. ED strongly encourages all domestic schools not already signed up for eCDR to complete the enrollment form available at [www.sfawebenroll.ed.gov](http://www.sfawebenroll.ed.gov). All foreign and U.S. Territory schools will continue to receive hard-copy notification packages.

*(Continued on the next page.)*

Important deadline information: eCDR schools should monitor the Information for Financial Aid Professionals (IFAP) Web site during the week of February 18, 2003, to verify the official transmittal date. Cohort default rate challenge timeframes begin on the sixth business day after that date. For instance, if package transmittal is announced on IFAP on February 18, 2003, time periods for challenging the Fiscal Year 2001 draft cohort default rates under 34 C.F.R. Part 668, Subpart M, will begin on Wednesday, February 26, 2003.

If a school believes that a technical problem that was caused by ED resulted in the school not being able to access the eCDR package, the school must notify ED no later than five business days after the transmission date announced on IFAP. For instance, if package transmittal is announced on IFAP on February 18, 2003, eCDR schools will have until 5:00 p.m. Eastern Standard Time on Tuesday, February 25, 2003, to contact ED regarding technical difficulties caused by ED. Reports of technical difficulties must be made via e-mail to [fsa.schools.default.management@ed.gov](mailto:fsa.schools.default.management@ed.gov). For schools that submit a timely, valid report of technical difficulties, ED will re-send the reports either electronically or via overnight courier service. The school cohort default rate challenge period for such affected schools will begin upon receipt by the school of the re-sent notification package.

Schools are reminded that challenges to the draft cohort default rate must be submitted to Dan Tryon in MGA's Audit and Program Review Section within 45 days of the official transmittal date. Information for submitting a challenge is included in the *Cohort Default Rate Guide* for schools available on the IFAP Web site. From the main page, choose "Default Rate Materials" under "Online References." For more information, contact Dan Tryon at ext. 34981 or via e-mail [tryond@michigan.gov](mailto:tryond@michigan.gov)

### **2002-2003 FEDERAL STUDENT AID HANDBOOK**

On February 5, ED began shipping printed copies of the 2002-2003 *Federal Student Aid Handbook* to all participating schools via media mail. (PDF copies of the handbook were posted

to the IFAP Web site in October.) The handbook will be shipped in three different sets:

1. The *Application and Verification Guide* and the *Student Loan Guide*,
2. Volumes 1, 2, 3, 8, and 9, and
3. The campus-based volumes (to campus-based schools only).

For more information, see "Publications and How to Order" on the Schools Portal at [www.fsa4schools.ed.gov](http://www.fsa4schools.ed.gov).

### **NEW WEB ADDRESS FOR SCHOOLS PORTAL**

ED's "Student Financial Assistance" has changed its name to "Federal Student Aid" programs. With the new name comes a new URL for the Schools Portal Web site: <http://fsa4schools.ed.gov/>. You will note that the new URL is shorter (no more [sfa.ed.gov](http://sfa.ed.gov)), and the new URL begins with "fsa" rather than "sfa."

Please take note of the new URL and bookmark it for your future reference. Both the "old" and "new" URLs will currently get you to the Schools Portal Web site, but the "old" URL (<http://sfa4schools.sfa.ed.gov>) will not be valid near the end of April 2003.

### **ED CHANGES POLICY ON TAX PREPARERS AND ACCEPTABLE DOCUMENTATION FOR VERIFICATION**

The National Association of Student Financial Aid Administrators (NASFAA) reported ED confirmed recently that it has changed its policy regarding tax returns that contain a tax preparer's information, but not the taxpayer's signature. A tax return that is printed or typed with the tax preparer's name, plus the Social Security Number (SSN) or Employer Identification Number (EIN) is acceptable; previously, it was not acceptable.

(Continued on the next page.)

Tax returns are accepted as documentation for verification purposes if the return meets any one of the following criteria:

- Signed by the taxpayer.
- Signed by one taxpayer, if a joint return.
- Signed by the tax preparer, and includes the SSN or EIN.
- Stamped with the tax preparer's name, plus the SSN or EIN.
- Printed or typed with the tax preparer's name, plus the SSN or EIN.

Although this change in guidance was not incorporated into the *Federal Student Aid Handbook* until the 2002-2003 edition, it is NASFAA's understanding that the change in policy was effective as early as September 1999.

#### **ED REMINDER ON CONSOLIDATION LOAN VERIFICATION REQUESTS**

Recent delays in processing Consolidation loan applications has prompted ED to issue Dear Colleague Letter (DCL) GEN-03-02, reminding FFELP loan holders that they are required by law to respond to loan consolidation verification requests within **ten** business days. If the loan holder is unable to provide the requested information, they must provide a written explanation to the lender within **ten** business days after receiving the loan certification request.

It is critical that loan holders act in accordance with this regulation to ensure that Consolidation loan applications are processed expeditiously. Fines or other sanctions could be levied against any loan holder that does not comply with this law. ED has instructed lenders who do not receive loan verification information from a loan holder within the required time period to notify their Federal Student Aid regional lender review staff, and ED will contact the loan holder. MGA's regional review staff and their phone numbers are as follows:

Ms. Marge Stroud  
U.S. Department of Education – Region V  
312-886-8762

or

Mr. Bob Bridgman  
U.S. Department of Education – Region V  
312-886-8749

Copies of the DCL can be obtained from the IFAP Web site at [www.ifap.ed.gov/dpcletters/G03344.html](http://www.ifap.ed.gov/dpcletters/G03344.html). If you have any additional questions regarding this matter, please contact Betty Calloway at ext. 39639 or via e-mail [callowayb@michigan.gov](mailto:callowayb@michigan.gov).

#### **LENDER LIST UPDATES**

School personnel should record the following actions on the "Participating Lender List" dated November 12, 2002. Please make the appropriate changes in all sections of the list as needed. If you have any questions regarding these updates, please contact the Lender Services Unit at ext. 36076.

#### **Joined Referral Program**

**Republic Bank, 823184 and 821631**, has joined the Sallie Mae referral loan program. Their address is c/o Sallie Mae, P.O. Box 59012, Panama City, FL 32412. Telephone: 888-272-5543

The following lenders have joined the Standard Federal referral loan program. Their address is c/o Nelnet, Inc., P.O. Box 82596, Lincoln, NE 68501-2596. Telephone: 800-755-7858.

**Clawson Community Credit Union, 222008**  
**Independent Bank – West Michigan, 822384**  
**Independent Bank – South Michigan, 805951**  
**Independent Bank – East Michigan, 827330**  
**Independent Bank, 805983**

#### **Termination of Lender**

**Ruth State Bank, 817679**, is no longer participating in the Standard Federal referral loan program. Please delete them from your list.

**Holland Machine Employees Credit Union, 832509**, no longer originates student loans. Please delete them from your list.

**SCHOOL LIST UPDATES**

The following changes should be recorded by lenders on MGA's "Active Michigan School List," dated January 16, 2003. If you have any questions regarding these changes, please contact our School Services Unit, ext. 36074.

**Contact Name Change**

**Monroe County Community College (002294-00),  
Monroe**  
Change Tracy Kominek to Tracy Bogt.

**THE "ED" PIPELINE**

Following is a list of some of the most recent ED correspondence for schools and lenders.

**Dear Partner**  
**January 2003**  
**ANN-03-01**

This letter announces training for EDEExpress Application Processing 2003-2004.

**Dear Partner**  
**January 2003**  
**GEN-03-02**  
**G-03-344**  
**L-03-238**

FFELP loan holders must respond to Consolidation loan verification requests within ten business days.

**Dear Partner**  
**January 2003**  
**GEN-03-01**

The Martin Luther King, Jr., Scholars Program is a unique summer internship experience that ED established in commemoration of the late Dr. Martin Luther King, Jr., and his contributions to civil and human rights in America.

**"Q" AND "A"**

**Q: What is the implementation date for the Final Regulations issued November 1, 2002?**

A: All items must be implemented no later than July 1, 2003. Schools may implement any of the regulations after November 1, 2002.

**Q: What are the changes pertaining to entrance counseling in the Final Regulations?**

A: Schools are no longer required to personally conduct entrance counseling. Other entities may perform the responsibility on the school's behalf. In addition, the consequences of default no longer must be explained in "forceful terms."

The following information must be provided as part of entrance counseling:

- "Federal offset" must be included as one of the consequences of default.
- The borrower must be provided sample monthly repayment amounts based on (1) a range of indebtedness, (2) the average indebtedness of Stafford borrowers at that school, or (3) the average indebtedness of borrowers in that program of study at that school.

**Q: What are the changes pertaining to exit counseling in the Final Regulations?**

A: Schools are no longer required to personally conduct exit counseling. Other entities may perform the responsibility on the school's behalf.

In addition to existing requirements, the following must be provided as part of exit counseling:

- Information on standard, graduated, extended, and income-sensitive repayment plans, as well as loan consolidation.
- Conditions under which a student may receive forbearance.
- Availability of Title IV loan information on the National Student Loan Data System.

*(Continued on the next page.)*



The borrower must provide, not just correct, current information regarding name, address, SSN, references, driver's license number and state of issuance, expected permanent address, address of next of kin, and the name and address of the expected employer (if known).

**Q: How does a student re-establish eligibility for Title IV assistance if that student failed to repay his/her loan and subsequently has a judgment against them for the student loan?**

A: A student who is subject to a judgment for failure to repay a loan made under a Title IV program may be eligible to receive Title IV program assistance if the student:

- Repays the debt in full.
- Makes repayment arrangements that are satisfactory to the holder of the debt, and makes at least six consecutive voluntary monthly payments under those arrangements.

**Q: There are many changes concerning late disbursements in the Final Regulations. Can you explain these changes?**

A: 1. A student who becomes ineligible (or the student's parent in the case of a PLUS loan) qualifies for a late disbursement if, before the date the students became ineligible:

- The Secretary processed a SAR or ISIR with an official Expected Family Contribution (EFC) except in the case of a PLUS loan; and
- Under FFELP, the institution certified the loan.

2. If the student withdrew from the institution during a payment period or period of enrollment, the institution must make any post-withdrawal disbursement required.

3. If the student successfully completed the payment period or period of enrollment,

the institution must provide the student (or parent) the opportunity to receive the amount of Title IV funds that the student (parent) was eligible to receive while the student was enrolled at the institution.

For a late disbursement in this circumstance, the institution may credit the student's account to pay for current and allowable charges, but must pay or offer any remaining amount to the student or parent.

4. If the student did not withdraw but ceased to be enrolled at least half-time, the institution may make the late disbursement of a loan under FFELP or the Federal Direct Loan Program (FDLP) to pay for educational costs that the institution determines the student incurred for the period in which the student was eligible.

5. The timeframe for making a late disbursement was changed from 90 to 120 days.

6. For those cases in which the student is not at fault, only ED may approve an institution's request to make a late disbursement after 120 days.

**Q: There are many changes concerning Timely Return of Funds in the Final Regulations. Can you explain these changes?**

A: 1. An institution is considered to have returned unearned Title IV funds timely if, no later than 30 days after the date the institution determined the student withdrew, the institution:

- Deposits or transfers the funds into the bank account it maintains.
- Initiates an EFT.
- Initiates an electronic transaction that informs a FFELP lender to adjust the borrower's loan account for the amount returned.

*(Continued on the next page.)*

- Issues a check. However, the Secretary considers that the institution did not satisfy this requirement if:
    - Records show that the check was issued more than 30 days after the date the institution determined the student withdrew.
    - The date on the cancelled check shows that the bank used by the Secretary or FFELP lender endorsed that check more than 45 days after the date the institution determined the student withdrew.
2. An institution previously had to submit a letter of credit and request the Secretary to reconsider a finding that it failed to return unearned Title IV funds in a timely manner. Now an institution can submit the following:
- Documents showing that the unearned Title IV funds were not returned in a timely manner solely because of exceptional circumstances beyond the institution's control and that it would not have exceeded the compliance thresholds had it not been for these exceptional circumstances; or it submits documents showing that it did not fail to make timely refunds; and
  - The institution's request, along with the documents, is submitted to the Secretary no later than the date it would otherwise be required to submit a letter of credit.
3. If the Secretary denies the institution's request, the Secretary notifies the institution of the date it must submit the letter of credit.
- 

## Calendar of Upcoming Events

### March 2003

- 11 Mapping Your Future Evening Chat  
Deferments, Forbearances & Default  
Prevention
- 31 Deadline – Audits for lenders with FFELP  
loans totaling more than \$5 million – Fiscal  
Year ending September 30, 2002.

### April 2003

- 8 Mapping Your Future Daytime Chat  
Debt Management Strategies

### May 2003

- 6 Mapping Your Future Evening Chat  
Loan Forgiveness, Discharge, and  
Cancellation
- 13 Guaranty Agency Advisory Committee  
Meeting  
MSU University Club
- 20 Spring School Workshop  
Plymouth, MI
- 21 Spring School Workshop  
Grand Rapids, MI
- 26 MGA Office Closed

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at ext. 36944, or via e-mail at [petersonj@michigan.gov](mailto:petersonj@michigan.gov).

# LOAN NOTES

## FEBRUARY 2003

<i>Implementation of the PLUS MPN .....</i>	<i>Page 1</i>	<i>ED Reminder on Consolidation Loan</i>	
<i>Meteor .....</i>	<i>Page 2</i>	<i>Verification Requests .....</i>	<i>Page 4</i>
<i>Electronic Cohort Default Rate.....</i>	<i>Page 2</i>	<i>Lender List Updates.....</i>	<i>Page 4</i>
<i>2002-2203 Federal Student Aid Handbook...</i>	<i>Page 3</i>	<i>School List Updates .....</i>	<i>Page 4</i>
<i>New Web Address for Schools Portal.....</i>	<i>Page 3</i>	<i>The “ED” Pipeline.....</i>	<i>Page 5</i>
<i>ED Changes Policy on Tax Preparers</i>		<i>“Q” and “A” .....</i>	<i>Page 5</i>
<i>And Acceptable Documentation for</i>		<i>Calendar of Upcoming Events .....</i>	<i>Page 6</i>
<i>Verification .....</i>	<i>Page 3</i>		



Request for Application and Related Materials



<input type="checkbox"/> STAFFORD MPN QTY _____	<input type="checkbox"/> STAFFORD SCHOOL CERTIFICATION QTY _____ (2-PART FORM)  <input type="checkbox"/> PLUS SCHOOL CERTIFICATION QTY _____ (2-PART FORM)	<input type="checkbox"/> PLUS APPLICATION QTY _____  <input type="checkbox"/> PLUS MPN QTY _____	<input type="checkbox"/> PLUS ENDORSER ADDENDUM QTY _____  <input type="checkbox"/> PLUS MPN ENDORSER ADD. QTY _____
--	--	--	--

TYPE	SHIPPING
<input type="checkbox"/> MGA Continuous <input type="checkbox"/> MGA Non-Continuous <input type="checkbox"/> Preprinted (Complete applicable section(s) below) <input type="checkbox"/> Laser Printer Version <input type="checkbox"/> MGA Laser Booklet	<input type="checkbox"/> ROUTINE <input type="checkbox"/> RUSH <input type="checkbox"/> OVERNIGHT

SCHOOL (PREPRINTED APPLICATIONS MUST BE ORDERED IN A MINIMUM QUANTITY OF 250) SCHOOLS, COMPLETE THIS SECTION ONLY IF ORDERING PREPRINTED PLUS APPLICATIONS OR SCHOOL CERTIFICATION FORMS.	REQUIRED
NAME AND ADDRESS OF SCHOOL (LIMIT OF 25 CHARACTERS ON 3 LINES)  _____  _____	EIGHT-DIGIT ED SCHOOL CODE  ____-____  TELEPHONE NUMBER (       )

LENDER (PREPRINTED APPLICATIONS MUST BE ORDERED IN A MINIMUM QUANTITY OF 250)	REQUIRED
NAME AND ADDRESS OF LENDER (LIMIT OF 25 CHARACTERS ON 3 LINES)  _____  _____	SIX-DIGIT ED LENDER CODE  ____-____  TELEPHONE NUMBER (       )

IF APPLICABLE, FOR LENDER USE ONLY (LIMIT OF 9 CHARACTERS)

SHIP TO	REQUESTOR
INSTITUTION	NAME
ATTENTION	INSTITUTION
STREET ADDRESS (NO P.O. BOX NUMBER)	TELEPHONE NUMBER (       )
CITY, STATE, ZIP CODE	DATE

SPECIAL INSTRUCTIONS

\_\_\_\_\_

\_\_\_\_\_

RETURN TO MICHIGAN GUARANTY AGENCY  
PO BOX 30047  
LANSING, MI 48909  
FAX 517-241-3697  
FOR ASSISTANCE CONTACT: 800-MGA-LOAN  
(800-642-5626) OR 517-373-0760

ORDER RECEIVED VIA

☐ Mail

☐ Fax

☐ Telephone

☐ E-Mail

